

should have had the opportunity to discuss the modest and reasonable package of amendments I put before the Rules Committee to strengthen this woefully inadequate bill.

This House should have the opportunity to consider and debate thoughtfully proposals to strengthen H.R. 3763, the so-called Corporate and Auditing Accountability, Responsibility, and Transparency Act of 2002. This bill claims to address many of the financial disclosure and accounting issues raised by the collapse of Enron. Unfortunately, the kinds of financial abuses that led to this unprecedented debacle will not be stopped—or even very much impeded—by this Republican bill. It is cosmetic and simply pretends to bring about reform. “Don’t look for a major overhaul of the accounting industry soon,” says the Wall Street Journal in a recent article criticizing the Oxley bill because it “punts” overhaul “to just where the industry would like it—the Securities and Exchange Commission.”

This bill does virtually nothing to correct the systemic flaws in our financial reporting system. It fails to strengthen oversight of auditors and accountants, and fails to hold corporate executives fully accountable for their misdeeds. Unless major improvements are made, H.R. 3763 will do nothing to restore integrity to our financial markets and will not protect the savings and pensions plans of millions of Americans that remain threatened by future Enrons.

The House should have had the opportunity today to work its will on several key areas.

First, I offered an amendment in the Rules Committee to create a powerful new regulatory board to ensure that auditors will be truly independent and objective. My amendment provided for a regulator that (1) sets audit and quality standards for auditors of public companies; (2) possesses sweeping investigative and disciplinary powers over audit firms; and (3) is controlled by a board comprised of public members—not the accounting industry. My amendment took a decidedly different approach than H.R. 3763, which punts almost all of the functions and powers of the regulator to the SEC. Only a regulator with explicit powers and duties, and a defined composition, such as the one I proposed, will ensure that the abuses we witnessed in the Enron debacle will not be repeated.

In addition, the Republican bill purports to prohibit auditors from providing their audit clients with two consulting services: financial reporting systems design and internal auditing. In fact, the bill prohibits nothing. Instead, it simply codifies existing SEC rules that provide only very limited restrictions on these services. In contrast, my amendment clarifies the definitions of these two services in a way that will actually ban them. In the case of any non-audit consultant services that are not prohibited, my amendment requires approval by the audit committee of the firm’s board of directors.

Second, in a spirit of bipartisanship and comity with our Republican friends. Mr. KANJORSKI and I have taken President Bush’s proposals on corporate responsibility and executive accountability and prepared an amendment to give them legislative substance and real teeth. Rather than implement the President’s proposals, the GOP bill either regresses from current law or does nothing to hold CEOs accountable. It amazes me that the Republican bill summarily rejected the President’s own plan to promote corporate responsibility.

So our amendment, also rejected by the Rules Committee, did three things to implement the Bush plan. First, it requires CEOs and CFOs to certify the accuracy of their firms’ financial statements. Violation of this provision would carry with it criminal (in the event that the violation is willful), civil, and other penalties provided for under the securities laws. H.R. 3763 contains no similar provision. It is essential that Congress require officers of public companies to stand behind their public disclosures. That is the absolute minimum we should require.

Second, this amendment required corporate officers who falsify their financial statements to surrender their compensation, including stock bonuses and other incentive pay. It empowered the Securities and Exchange Commission (SEC), in an administrative proceeding, or in court, to seek such a disgorgement. H.R. 3763 requires only a study of the question: should guilty CEOs forfeit their stock bonuses.

Third, this amendment empowered the SEC to bar officers and directors from serving in that capacity for a public company if they are found guilty of wrongdoing and determined to be unfit. It would also remove judicial hurdles to seeking such a bar in court. Incredibly, the Republican bill actually makes it harder to obtain officer and director bars. It codifies restrictive judicial standards that would make it substantially more difficult for the SEC to obtain officer and director bars—a change which the head of the SEC’s Enforcement Division has stated publicly is highly problematic. In this regard, H.R. 3763 is a serious step backward.

The Rules Committee even refused to allow debate on my amendment that gave shareholders a voice in executive compensation decisions by requiring that a majority of shareholders approve any stock options plan for an officer or director. H.R. 3763 does not include a similar provision. Would anyone argue on this floor that shareholders should not have a voice in the lucrative stock option plans of officers and directors. After all, it is the shareholders who own public companies, not management.

Finally, the Rules Committee refused to give this body an opportunity to debate and vote on an amendment to ensure that stock analysts are truly independent and objective. My amendment achieved this by (1) barring analysts from holding stock in the companies they cover; (2) prohibiting analysts’ pay from being based on their firms’ investment banking revenue; and (3) barring their firm’s investment banking department from having any input into analysts’ pay or promotion. As with other important issues in this legislation, H.R. 3763 only requires a study.

Today we are on the verge of squandering an opportunity for real reform. I urge my colleagues to consider our substitute and do something real to prevent the next Enron.

Mr. SESSIONS. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

PERMISSION FOR COMMITTEE ON FINANCIAL SERVICES TO FILE SUPPLEMENTAL REPORT ON H.R. 3764, SECURITIES AND EXCHANGE COMMISSION AUTHORIZATION ACT OF 2002

Mr. OXLEY. Mr. Speaker, I ask unanimous consent that the Committee on Financial Services be permitted to file a supplemental report on H.R. 3764.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

CORPORATE AND AUDITING ACCOUNTABILITY, RESPONSIBILITY, AND TRANSPARENCY ACT OF 2002

The SPEAKER pro tempore. Pursuant to House Resolution 395 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 3763.

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IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 3763) to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes, with Mr. SWEENEY in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the bill is considered as having been read the first time.

Under the rule, the gentleman from Ohio (Mr. OXLEY) and the gentleman from Pennsylvania (Mr. KANJORSKI) each will control 30 minutes.

The Chair recognizes the gentleman from Ohio (Mr. OXLEY).

Mr. OXLEY. Mr. Chairman, I yield myself such time as I may consume.

Today, the House turns to H.R. 3763, the Corporate and Auditing Accountability, Responsibility, and Transparency Act. To my colleagues on both sides of the aisle, today we must act. We must act for our Nation’s investors, retirees, and employees of publicly traded companies; and that covers a large majority of Americans.

In recent months our struggling economy has absorbed a number of shocks. We have endured two large bankruptcies, Enron and Global Crossing. Thousands of jobs have been lost for hardworking employees. Billions of dollars are gone from investment portfolios and retirement plans. Investor confidence has understandably wavered.

Congress has examined these issues for 4 months. The Committee on Financial Services alone held seven hearings, took testimony from 33 witnesses; and we are but one of many panels. We know now what happened, and we know what needs to be done. Now it is our responsibility to do something about it.